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M. Loeb Limited

THIRTY-EIGHTH ANNUAL REPORT

FISCAL YEAR ENDED JANUARY 29, 1966

M. LOEB LIMITED

HEAD OFFICE

400 Industrial Avenue, Ottawa, Ontario

DIRECTORS

NORMAN A. LOEB, *Chairman*

CHARLES GAVSIE, C.B.E., Q.C., Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal

BERTRAM LOEB

DAVID B. LOEB

WARD C. PITFIELD, *Vice-President and Director*, W. C. Pitfield & Co., Ltd., Toronto

CLAUDE ROBILLARD, P.Eng., *President*, Fraser-Bruce Engineering Co., Ltd., Montreal

HYMAN SOLOWAY, Q.C., *Senior partner*, Soloway, Wright, Houston, Galligan & McKimm, Ottawa

OFFICERS

NORMAN A. LOEB, *Chairman of the Board*
BERTRAM LOEB, *President*
A. BOOKMAN, *Vice-President, Sales*
JEROME J. FISCHER, *Vice-President, Meat Operations*
T. C. GREIG, C.A., *Vice-President and Treasurer*
CURTIS B. KERNS, *Vice-President, Perishables*
NORMAN LESH, *Vice-President, Merchandising*
DAVID B. LOEB, *Vice-President and Secretary*
JOHN McEACHRAN, *Vice-President and Assistant-Treasurer*
JACK RABINOVITCH, *Vice-President, Retail Operations*

TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST COMPANY

BANKERS ROYAL BANK OF CANADA

AUDITORS PRICE, WATERHOUSE & CO.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 400 Industrial Avenue, Ottawa, Ontario at 3:00 p.m. on Monday, May 30, 1966. Shareholders are cordially invited to be present. Those unable to attend are urged to exercise their right to vote by proxy.

COMPANY GROWTH IN 1965

HIGHLIGHTS FROM THE FINANCIAL STATEMENTS

	FISCAL 1965-66	FISCAL 1964-65	% INCREASE
Sales	$200,102,378	$173,055,271	15.63
Net income before taxes	$ 3,829,134	$ 3,147,008	21.68
Net income after taxes	$ 1,802,361	$ 1,581,322	13.98
Per share	$ .71	$ .63	12.70
Dividends paid	$ 253,210	$ 249,297	1.57
Per share	$ .10	$ .10	
Earnings reinvested in business	$ 1,549,151	$ 1,332,025	16.30
Per share	$ .61	$ .53	15.09

EQUITIES

	JANUARY 29 1966	JANUARY 30 1965
Shareholders:		
Number of shares	2,548,440	2,507,385
Share capital	$ 2,933,476	$ 2,699,464
Earnings reinvested in business*	$ 3,761,119	$ 3,511,968
Total equity	$ 6,694,595	$ 6,211,432
Debenture holders:		
Debentures outstanding	$ 1,999,000	$ 2,125,000

*After $3,000,000 write off of cost of intangible assets of subsidiaries, of which $1,300,000 was recorded in the current fiscal year and $1,700,000 was recorded in the preceding two fiscal years.

DIRECTORS' REPORT TO THE SHAREHOLDERS

We are pleased to report that in the 52-week period ended January 29, 1966, the Company achieved the highest sales and earnings in its history. All comparisons contained in this report are with the preceding 53-week period ended January 30, 1965.

Sales

Company sales have exceeded the $200,000,000 mark for the first time. Consolidated sales amounted to $200,102,378 compared with $173,055,271 for the preceding fiscal year, an increase of $27,047,107 or 16%. These sales were generated entirely from within existing divisions and subsidiaries of the Company, there being no acquisitions during the period.

Earnings

Earnings for the year amounted to $1,802,361, an increase of $221,039 or 14% over the preceding year's earnings of $1,581,322. Earnings per share for 1965-66 amounted to 71 cents on 2,548,440 outstanding shares compared with 63 cents per share for the preceding year on 2,507,385 outstanding shares.

Expansion Program

The expansion program of the Company continues as planned. During the past year 21 new I.G.A. Foodliners were opened by franchised dealers, 27 were remodelled and enlarged and 8 new Cash and Carry warehouses were opened in Ontario and Quebec. During the current fiscal year the Company expects to open an additional 19 I.G.A. stores within its franchised territories and 7 new Cash and Carry warehouses. A new distribution centre in Sudbury, Ontario is now in the final planning stage. M. Loeb Limited now services 410 affiliated stores as well as thousands of unaffiliated retailers from its distribution centres and Cash and Carry warehouses.

Opportunities for Expansion

It is the policy of management to continue to emphasize the Company's role as a distribution specialist. While recognizing that there are abundant opportunities in the fields of retailing and manufacturing, your Directors and Officers believe that the field of wholesale distribution offers even greater opportunities. M. Loeb Limited does not own or operate retail outlets. The Company's non-wholesaling subsidiaries, such as Casselman Creamery Limited and Capital City Cartage Limited, do not make major contributions to consolidated sales and earnings. As a result, substantially all management energy and ability is applied to improving the Company's position as one of the foremost distribution specialists in North America. Although your Company's percentage return on sales is already higher than the Canadian and U.S. averages (.50% and .64%, respectively) for companies of comparable size, we are confident that margins can be improved substantially through increased volume, greater operating efficiency, changes in sales mix, concentration of purchases with the Company's principal suppliers, increased use of computers, refinements in material handling and organizational changes designed to make the most effective use of key personnel.

Financing

It is anticipated that the financial position of the Company will be considerably strengthened in 1966 with additional funds obtained through public financing. Your Company continues to finance its current expansion program through retained earnings and bank loans and has not been adversely affected by the current tight money market.

Incentive Programs

To help achieve a higher ratio of net profit to sales and a greater return on investment, your Company has recently introduced a return on investment incentive program for senior head office and division personnel. Payments under this plan will depend upon the achievement of targets expressed as earnings per dollar of assets employed. It is anticipated that this program will improve control over inventories and receivables. The new incentive arrangements, together with more frequent division management conferences, organizational changes affecting both head office and divisional personnel, and a continuing emphasis on the Company's role and potential as a distribution specialist, should help to ensure improved operating results in the years ahead.

National Drug

The substantial improvement in the operating results of National Drug & Chemical Company of Canada Limited, a company effectively controlled by M. Loeb Limited, confirms the opinion of your Directors and Officers that wholesale drug distribution in Canada offers your Company a fine opportunity for profitable expansion. National Drug, the largest company of its kind in Canada, distributing drugs from coast to coast, now operates seventeen modern drug distribution centres across the country and will shortly open a newly equipped laboratory in Pointe Claire, Quebec. Your Directors and Officers are confident that National Drug will provide much needed services to Canada's independent pharmacists while giving M. Loeb Limited a satisfactory return on its investment.

Cartier Program

The introduction of the "Cartier" variety program in IGA stores or stores contiguous to them, has proceeded at a slower pace than expected, due in part to an unanticipated delay in securing the necessary warehousing facilities. The Cartier program is being developed by the Company's new subsidiary, Loeb-City Products Limited, in which City Products Corporation has a minority interest. Although Cartier sales have not yet reached the anticipated level, earnings as a percentage of sales have been most satisfactory.

M. Loeb Corporation

Your company continues to hold an option to acquire all the outstanding shares of M. Loeb Corporation, Chicago, which holds the IGA franchise for most of Illinois and portions of Indiana and Iowa—an area which contains a population of over 12,000,000. Your Directors believe that this company's growth and development potential is outstanding. The option will not be exercised until the acquisition will enhance the consolidated per share earnings of M. Loeb Limited. The Corporation is now operating profitably.

Personnel Development

Your Company's ability to maintain its fine record of growth in sales and earnings is directly related to its ability to attract and motivate competent and dedicated personnel. Incentive plans, including stock options and bonuses, fringe benefits generally, and growth opportunities within the Company are outlined clearly in attractive brochures distributed in high schools and universities. Company officials are active in community activities and frequently visit educational institutions or make presentations to professional and other organizations. Their participation in activities of this type greatly assists the intensive recruitment program which is being maintained on a continuing basis.

Growth Potential

The outlook for the wholesale distributor of food, tobacco products, drugs and general merchandise is most promising. The growth potential of M. Loeb Limited as Canada's largest distribution specialist is virtually unlimited. The Company now operates a network of distribution centres and Cash and Carry warehouses through which it supplies both unaffiliated retailers and independently-owned franchised food, drug and variety stores. Having established a broad and sound base, we look to the future with unbounded optimism, strengthened by our confidence in the unparalleled endowments of our nation. The free enterprise system, as it develops our abundant natural resources, offers our citizens individual growth opportunities heretofore unknown.

Acknowledgements

We acknowledge the excellent support we have received from so many of our associates. To our loyal customers, franchised dealers and unaffiliated retailers alike, we express our appreciation for their patronage. We are grateful to our suppliers for the continuing support which demonstrates their confidence in our ability to distribute their products. To our bankers, professional associates and friends, we extend our gratitude for another year of co-operation and assistance. Above all, to our valued employees at all levels we wish to express our thanks for making this outstanding year possible. With the continuing efforts and support of all we believe that we can move ahead in the future as successfully as we have in the past.

Respectfully submitted,

Bertram Loeb

BERTRAM LOEB, President.

Consolidated Statement of

INCOME AND RETAINED EARNINGS

FISCAL YEAR ENDED JANUARY 29, 1966

(with comparative figures for the preceding fiscal year)

	Fifty-two weeks ended January 29 1966	Fifty-three weeks ended January 30 1965
SALES	$200,102,378	$173,055,271
COSTS AND OPERATING EXPENSES		
Cost of goods sold	186,827,410	161,698,121
Operating expenses	8,658,798	7,457,169
Depreciation on buildings and equipment	409,112	343,702
Amortization—franchise cost and debenture discount and expenses	30,074	43,007
Amortization—other deferred charges	72,444	73,722
Debenture interest	131,956	138,349
Bank interest	343,474	322,992
	196,473,268	170,077,062
Interest earned	200,024	168,799
	196,273,244	169,908,263
NET INCOME BEFORE TAXES	3,829,134	3,147,008
INCOME TAXES	2,011,354	1,565,686
	1,817,780	1,581,322
MINORITY INTEREST	15,419	
NET INCOME	1,802,361	1,581,322
RETAINED EARNINGS AT BEGINNING OF PERIOD	3,511,968	3,179,943
	5,314,329	4,761,265
Write off of Cost of Intangible Assets of Subsidiaries (Note 3)	1,300,000	1,000,000
	4,014,329	3,761,265
DIVIDENDS PAID	253,210	249,297
RETAINED EARNINGS AT END OF PERIOD	$ 3,761,119	$ 3,511,968

Consolidated Statement of

FINANCIAL POSITION

JANUARY 29, 1966

(with comparative figures as at January 30, 1965)

	January 29 1966	January 30 1965
CURRENT ASSETS		
Cash	$ 339,331	$ 477,647
Marketable securities, at cost (Market value 1966—$49,583 1965—$189,685)	53,038	187,939
Accounts receivable, less allowance for doubtful accounts (Note 11)	9,704,439	7,285,252
Inventory, at cost	9,276,933	8,079,822
Advances for retail store development	1,057,305	893,923
Advances for shopping centre development	2,198,908	
Prepaid expenses	286,653	198,018
	22,916,607	17,122,601
INVESTMENTS AND OTHER ASSETS		
Investment in National Drug and Chemical Company of Canada Limited, at cost (Notes 1 and 4)	2,249,455	1,658,873
Investments and advances, at cost	554,505	574,077
Unamortized franchise cost (Note 5)	368,741	388,407
Unamortized debenture discount and expenses (Note 6)	79,648	90,056
Other deferred charges		72,444
	3,252,349	2,783,857
FIXED ASSETS (Note 8)		
Equipment and fixtures	4,014,019	3,224,323
Land and buildings	368,373	380,279
Sundry	412,936	341,512
	4,795,328	3,946,114
Accumulated depreciation	2,129,069	1,853,929
	2,666,259	2,092,185
INTANGIBLE ASSETS OF SUBSIDIARIES, AT COST LESS AMOUNTS WRITTEN OFF (Note 3)	613,052	1,912,802
	$29,448,267	$23,911,445

Approved on behalf of the Board:

NORMAN A. LOEB, Director

BERTRAM LOEB, Director

ASSETS

	January 29 1966	January 30 1965
CURRENT LIABILITIES		
Bank loans and overdrafts — secured (Note 7)	$ 4,457,805	$ 4,530,209
Accounts payable and accrued liabilities	12,371,923	8,462,857
Income taxes payable	1,001,821	762,542
Sinking fund payments due within one year	124,000	125,000
	17,955,549	13,880,608
LIABILITIES NOT DUE WITHIN ONE YEAR		
Bank loans—secured	2,581,009	1,615,915
6½% sinking fund debentures—Series A (Note 6)	1,875,000	2,000,000
	4,456,009	3,615,915
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (Note 9)	202,695	203,490
MINORITY INTEREST	139,419	
SHAREHOLDERS EQUITY		
Capital Stock (Note 10)		
Authorized—		
6,000,000 common shares without par value		
150,000 preference shares with a par value of $50 each		
Issued and fully paid—		
2,548,440 common shares (1965—2,507,385)	2,933,476	2,699,464
Retained earnings	3,761,119	3,511,968
	6,694,595	6,211,432
	$29,448,267	$23,911,445

LIABILITIES

EXPLANATORY NOTES

To Consolidated Financial Statements

JANUARY 29, 1966

Principles of Consolidation

1. (a) M. Loeb Limited holds a majority interest in Loeb-City Products Limited. All other subsidiaries of M. Loeb Limited are wholly owned. The consolidated financial statements include the accounts of all subsidiaries, whether or not they are wholly owned.

(b) The consolidated statement of income and retained earnings includes the operating results of all subsidiaries for the full fiscal year ended January 29, 1966.

(c) National Drug and Chemical Company of Canada Limited is not a subsidiary of M. Loeb Limited and the results of its operations are therefore not included in the consolidated statement of income and retained earnings. The investment in National Drug is shown in the consolidated balance sheet at cost. Dividends of $12,753 received by M. Loeb Limited on the preferred shares of National Drug have been included in income for the year.

Fiscal Year End

2. The Company's fiscal year end is the last Saturday in January.

Acquisition of Subsidiaries

3. (a) During the year the Company acting together with City Products Corporation, an Illinois corporation, incorporated and organized Loeb-City Products Limited in which it holds a majority interest. The interest of City Products Corporation in the new company is described as MINORITY INTEREST in the consolidated financial statements.

(b) The excess of cost of shares of subsidiaries over book value of net assets acquired may be regarded as the price paid by M. Loeb Limited for the intangible assets of companies which are now wholly owned subsidiaries. These intangible assets include earning power derived from IGA franchise rights and business goodwill built up over years of successful operations. During the year ended January 29, 1966, $1,300,000 of this excess was written off against retained earnings. $1,700,000 was written off in the preceding two years.

Investment in National Drug

4. During the year the Company acquired for cash an additional 39,127 common and 700 preferred shares of National Drug and Chemical Company of Canada Limited. As at January 29, 1966, M. Loeb Limited owned 131,300 common and 21,605 convertible preferred shares, or 30.8% of the issued and outstanding common and preferred shares of National Drug and Chemical Company of Canada Limited and had effective control of that company.

M. Loeb Limited holds an option to purchase 100,000 unissued common shares at $14.50 per share exercisable at any time and from time to time up to and including June 15, 1967. If and when the option is exercised, M. Loeb Limited will own 42.4% of the outstanding shares of National Drug and Chemical Company of Canada Limited. The market value of the common and convertible preferred shares as at January 29, 1966 was $16.00 and $16.50 per share respectively.

Unamortized Franchise Cost

5. M. Loeb (London) Limited acquired its IGA franchise in 1959 for an outright payment of $491,649. This franchise cost is being amortized over a period of 25 years at the rate of $19,666 per annum.

6½% Sinking Fund Debentures —Series A

6. (a) The debentures are redeemable out of sinking fund moneys at the principal amount plus a premium of 2½% if redeemed before May 1, 1967, the premium thereafter decreasing ½% each three-year period to May 1, 1979. Redemption otherwise than out of sinking fund moneys requires a premium double that which would be payable if redemption were out of the sinking fund. A sum sufficient to retire $125,000 principal amount of debentures is required to be set aside annually.

(b) Discount and expenses on the issue of the debentures are being amortized over the term of the debentures.

(c) Share purchase warrants attached to the debentures entitle the holder thereof to purchase shares on the basis of 45 shares in respect of each $1,000 debenture at a price of $5.83⅓ per share if exercised on or before May 1, 1967 and $6.66⅔ per share if exercised on or before May 1, 1971.

Bank Loans

7. The company anticipates raising additional funds in 1966 through public financing, the proceeds of which will be applied against outstanding bank loans, thereby reducing current liabilities.

Depreciation

8. Depreciation on fixed assets is being recorded on a straight line basis. The rates used for the major categories of fixed assets are as follows:

(i) Automotive equipment—20% of cost per annum.
(ii) Warehouse and office equipment—10% of cost per annum.
(iii) Buildings—2½% of cost per annum.

Accumulated Tax Reductions Applicable to Future Years

9. The Company has continued its practice of claiming maximum allowances for income tax purposes. The resultant reduction in current income taxes payable has been included in "accumulated tax reductions applicable to future years" to be taken into earnings when allowances for income tax purposes are less than the related expenses recorded in the accounts.

Capital Stock

10. (a) On July 30, 1965, the Company obtained supplementary letters patent designating the 6,000,000 shares of the Company without par value as 6,000,000 common shares without par value; and increasing the authorized capital of the Company by creating 150,000 preference shares with a par value of $50 each, issuable in series.

(b) During the year, and as authorized by the shareholders, the directors increased by 50,000 the number of common shares reserved under an employee share option plan. The directors also established a stock purchase plan and reserved 40,000 common shares for that purpose. During the year options on 14,600 common shares were cancelled. Of the common shares authorized and unissued as at January 29, 1966, 87,660 shares were reserved for exercise of share purchase warrants attached to the Series A debentures, 117,250 shares were reserved under an employee share option plan and 40,000 shares were reserved under an employee stock purchase plan. As at January 29, 1966, there were 70,550 common shares under option at prices ranging from $3.75 to $15.87 per share, including 36,500 shares for which options were granted during the fiscal year ended on that date.

(c) During the period 14,430 shares were issued for cash to Series A debenture holders for a total consideration of $84,175, and 26,625 shares were issued for cash under employee options at prices ranging from $3.75 to $13.05 per share for a total consideration of $149,837.

Accounts Receivable

11. Instalments due beyond one year included in current accounts receivable as at January 29, 1966 amounted to $2,825,370.

Contingent Liabilities

12. As at January 29, 1966, the Company was contingently liable

(a) In respect of trade paper under discount in the amount of $98,400.

(b) As guarantor of bank loans and mortgages amounting to $3,516,400.

(c) As guarantor or co-signer of equipment purchase contracts totalling $22,700 entered into by franchised retailers.

In the opinion of the directors, the Company has adequate security for any liability which may develop as a result of these guarantees.

Commitments Under Long Term Leases

13. Under long term leases in effect as at January 29, 1966, the Company is obligated to pay annual rentals aggregating $955,000 for its warehouse and other facilities and annual rentals aggregating $1,654,000 for retail stores subleased to franchised retailers.

AUDITORS' REPORT

The Shareholders
M. Loeb Limited

We have examined the consolidated statement of financial position of M. Loeb Limited as at January 29, 1966, and the related consolidated statement of income and retained earnings for the fifty-two weeks ended on that date. Our examination of the financial statements of the parent company, M. Loeb Limited, and of a subsidiary of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our reliance on the reports of the auditors of the other subsidiaries was supplemented by a review of the scope of their examinations to ascertain their compliance with generally accepted auditing standards.

In our opinion, the accompanying consolidated statement of financial position and the consolidated statement of income and retained earnings, supplemented by the notes thereto, present fairly the financial position of the companies as at January 29, 1966 and the results of their operations for the fifty-two weeks ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

Our examination also included the accompanying consolidated statement of changes in working capital for the fiscal period ended January 29, 1966 and, in our opinion, it presents fairly the changes in working capital for the fiscal period.

Ottawa, May 5, 1966

Price Waterhouse & Co
Chartered Accountants

Consolidated Statement of

CHANGES IN WORKING CAPITAL

FISCAL YEAR ENDED JANUARY 29, 1966
(with comparative figures for the preceding fiscal year)

	Fifty-two weeks ended January 29 1966	Fifty-three weeks ended January 30 1965
WORKING CAPITAL WAS GENERATED THROUGH		
Profitable operations	$2,314,786	$2,053,323
Sale of capital stock	234,012	559,215
Bank loans not repayable within one year	965,094	1,615,915
Investment of minority shareholders	139,419	
Net reduction (increase) in investments and advances	19,572	(186,769)
	3,672,883	4,041,684
WORKING CAPITAL DECREASED BECAUSE OF		
Investment in National Drug	590,582	1,658,873
Acquisition of new subsidiaries		586,843
Payment of dividends	253,210	249,297
Reduction of liabilities not due within one year	125,000	133,032
Acquisition of fixed assets (net)	985,026	981,550
	1,953,818	3,609,595
NET INCREASE IN WORKING CAPITAL	1,719,065	432,089
WORKING CAPITAL AT BEGINNING OF PERIOD	3,241,993	2,809,904
WORKING CAPITAL AT END OF PERIOD	$4,961,058	$3,241,993

DIVISION OF SALES REVENUE

	Fifty-two weeks ended January 29 1966	Fifty-three weeks ended January 30 1965
Cost of merchandise sold	93.4%	93.4%
Operating expenses (other than expenses not affecting working capital)	4.3%	4.3%
Net interest expense	.1%	.2%
Income taxes (based on taxable income)	1.0%	.9%
Working capital generated	1.2%	1.2%
	100.0%	100.0%

THE LAST TEN YEARS

A SUMMARY OF COMPANY OPERATING RESULTS

Fiscal Year Ended	Sales	Gross Profit	Depreciation	Amortization	Income Taxes	Net Operating Income After Taxes	*Working capital generated through profitable operations	Dividends Paid
Jan. 29 1966	**$200,102,378**	**$13,274,968**	**$409,112**	**$102,518**	**$2,011,354**	**$1,802,361**	**$2,314,786**	**$253,210**
Jan. 30 1965	173,055,271	11,357,150	343,702	116,729	1,565,686	1,435,322	1,907,323	249,297
Jan. 25 1964	140,396,914	9,461,207	263,910	137,745	1,217,206	1,094,158	1,450,243	159,716
Jan. 19 1963	102,572,754	6,598,549	176,145	117,592	727,780	652,726	847,146	158,870
Jan. 13 1962	81,648,563	5,497,956	144,552	115,630	615,558	577,945	582,022**	155,500
Jan. 7 1961	64,040,802	4,951,343	150,805	—	505,800	488,403	659,028	152,160
Dec. 31 1959	50,841,761	3,561,283	100,935	—	417,500	398,426	512,346	76,080
Dec. 31 1958	36,912,871	2,097,051	85,659	—	274,210	283,605	389,324	—
Dec. 31 1957	31,894,087	1,833,705	63,261	—	208,882	206,873	280,606	—
Dec. 31 1956	27,554,121	1,319,077	53,433	—	148,960	157,886	231,625	—

*Net operating income for the year, before depreciation, amortization and other charges not affecting working capital, after deduction of income taxes actually levied before any adjustment of accumulated tax reductions applicable to future years.

**After deduction of $463,609 representing charges of a promotional and development nature, incurred in the fiscal year ended January 13, 1962, but partly deferred in the accounts as at the year end date.

The proceeds of a $100,000 life insurance policy and a net profit of $146,000 realized on the sale of property included in the net income during the fiscal years ended January 25, 1964 and January 30, 1965, respectively, have not been reflected in the above summary.

M. LOEB LIMITED AND RELATED COMPANIES

An international distribution organization

M. LOEB LIMITED AND SUBSIDIARIES

Head office—Ottawa

DISTRIBUTION CENTRES

Amos, Kirkland Lake, London, Montreal, Ottawa, Sherbrooke, Sudbury

CASH AND CARRY WAREHOUSES

Brockville, Chatham, Cornwall, Eastview, Granby, Hawkesbury, Hull, London, Montreal (2), Noranda, Ottawa (2), Pembroke, Sarnia, Sault Ste. Marie, Sherbrooke, Sudbury, St. Jean, St. Jerome, Timmins, Toronto, Waterloo, Windsor, Ville Jacques Cartier; Hammond, Indiana and Rockford, Illinois

NATIONAL DRUG AND CHEMICAL COMPANY OF CANADA LIMITED AND SUBSIDIARIES

Effective control held by M. Loeb Limited
Head office—Montreal

DISTRIBUTION CENTRES

Calgary, Edmonton, Fort William, Fredericton, Halifax, Hamilton, London, Moncton, Montreal, Ottawa, Regina, Saint John, Saskatoon, Sydney, Toronto, Winnipeg, Vancouver

HORNE & PITFIELD FOODS LIMITED

Close working arrangements with M. Loeb Limited
Head office—Edmonton

DISTRIBUTION CENTRES

Calgary, Dawson Creek, Edmonton, Grande Prairie, Lethbridge, Medicine Hat, Peace River, Red Deer, St. Paul

CASH AND CARRY WAREHOUSES

Calgary, Edmonton (2)

M. LOEB CORPORATION

Option to purchase held by M. Loeb Limited
Head office and distribution centre—Chicago

HIGHLIGHTS OF THE YEAR

- Consolidated sales totalled $200,102,378, an increase of $27,047,107 or 15.6% over the previous year's figure of $173,055,271.

- Consolidated net income after taxes totalled $1,802,361, an increase of $221,039 or 14.0% over the previous year's figure of $1,581,322.

- Earnings per share amounted to 71¢, an increase of 8¢ or 12.7% over the previous year's figure of 63¢.

- Working capital increased to $4,961,058 from $3,241,993, an increase of $1,719,065. The ratio of current assets to current liabilities increased from 1.23 to 1.28.

- The Company holds a majority interest in a new Canadian company called Loeb-City Products Limited which sponsors a voluntary group of variety stores under the name of "Cartier".

- The Company acquired an additional 39,127 common and 700 preferred shares of National Drug and Chemical Company of Canada Limited and now owns 30.8% of the issued and outstanding common and convertible preferred shares of that company.

- National Drug and Chemical Company of Canada Limited reported an after-tax profit of $109,757 for the fiscal year ended January 4, 1966, compared with a loss of $515,816 for the preceding year.

- 8 new cash & carry warehouses were opened in the cities of Sarnia, Sault Ste. Marie, Timmins, Toronto and Windsor, Ontario and Jacques Cartier, Noranda and St. Jerome, Quebec—all in areas never before served directly by M. Loeb Limited.

- During the year 21 new IGA Foodliners were constructed and 27 were remodelled.

- Subsequent to the fiscal year end plans for a new warehouse and office in Sudbury, Ontario were completed. Construction will be completed by the fall of 1966.

M. LOEB LIMITED, 400 INDUSTRIAL AVENUE, OTTAWA 8, ONTARIO, CANADA

DISTRIBUTION SPECIALISTS

Food, Tobacco Products, Drugs and General Merchandise